



July 23, 2013

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Proposed AB 118 AQIP Funding Plan for Fiscal Year 2013-14

**Clean Transportation
Technologies and Solutions**

www.calstart.org

Board of Directors

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CALSTART

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Bay Area Air Quality
Management District

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BAE Systems

Ms. Jane Warner
American Lung Association in
California

Mr. William Zobel
Trillium USA

Dear Chairman Nichols:

CALSTART supports the staff recommendation for the AB 118 Air Quality Improvement Program (AQIP) Funding Plan. The AQIP program investments are helping to accelerate the transformation of the transportation sector in California. These comments focus on funding for the Clean Vehicle Rebate Project (CVRP) and the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).

CVRP is Driving Light Duty ZEV Deployment

California's CVRP program has been wildly successful in its first few years in supporting market growth for plug-in cars in California. The program is easy to understand and easy to access. It provides a meaningful incentive level for Californians who may be considering an electric or plug-in hybrid car. It also sends an important signal to consumers that California's state government supports these vehicles and is working to increase deployment.

CVRP is working as intended and providing benefits across California. All Californians benefit from the proliferation of zero-emission vehicles, whether or not they actually drive the vehicles. There are multiple reasons for this. First, these vehicles produce zero tailpipe emissions and improve air quality. Second, higher levels of ZEV deployment will create jobs and economic benefits across multiple parts of California's economy.

Moreover, while early adopters of electric vehicles tended to be people with higher incomes, CVRP is helping to bring costs down to levels where these vehicles can compete with traditional internal combustion engines. Incentives like CVRP are essential for building market volumes, achieving economies of scale, and bringing ZEVs to lower income populations.

HVIP is an Essential Tool for Supporting the Clean Truck and Bus Market

Cleaner trucks and buses are essential if California wants to meet its near- and long-term emissions goals. However, high incremental costs create a very real barrier to deployment, as commercial fleets need to be able to justify purchases on economic grounds. This is why incentives like HVIP are so important to the early market for clean, advanced technology trucks and buses. It is important to note that there are NO federal or other incentives for these vehicles. State and local incentive such as HVIP are the only real market drivers.

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Thanks to the flexibility of AQIP funding and the creativity of program staff, the HVIP program has a simple structure that makes it a very powerful tool: HVIP directly reduces the cost of hybrid and zero emission trucks and buses right at the point of purchase. This voucher structure eliminates delays, uncertainty, and administrative burdens that could otherwise act as barriers to purchase for truck fleets. This is an innovative model that works well. The program was recognized by the American Council for an Energy Efficient Economy (ACEE) as the top Emerging State Energy Efficiency Program in 2010. Furthermore, the HVIP model is being copied in other states and regions, with New York and Chicago both implementing HVIP-style programs.

To date, HVIP funding has supported nearly 1700 hybrid and electric trucks and buses in California. The diesel emission reductions that these vehicles provide are significant, and these benefits are often realized in economically disadvantaged areas. Moreover, HVIP is helping the industry to reach economies of scale. The creation of HVIP-like programs in other regions is helping to ensure that California is not alone in supporting the growth of this market. In time, prices will come down, and the need for incentives will go away. However, we are not yet at that point for commercial vehicles.

We Support Staff Recommendation but Note that Funding Shortages and Delays Will Harm Market

We recognize that resources are limited and that the Funding Plan was developed assuming just \$25 million in revenues for the AQIP program. We believe staff has struck a good balance in this plan, setting aside \$5 million for HVIP and \$10 million for CVRP, with a reserve of \$5 million.

Unfortunately, available funding is not enough to cover needs for CVRP and HVIP. CVRP funding levels will only allow the program to operate for a few months. HVIP is currently out of funding and not taking voucher requests. The HVIP funding, when it becomes available, is expected to last no more than five months.

Continuity and consistency are critical for both of these programs. Program suspensions create uncertainty and confusion in the market. Program suspensions and delays should be minimized to the extent possible. Ultimately, additional funding will be needed to cover shortfalls for both CVRP and HVIP.

In conclusion, we support the staff plan and are committed to working with you to ensure that AQIP funding continues to support the growth of the market for zero- and near-zero emission cars, trucks and buses in California.

Sincerely,

Jamie Hall
Policy Director